

## Message Text

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SUBJECT: FY-80 PROMOTIONAL EVENT PLANNING

REF: USDOC 06268

SUMMARY. POST DOES NOT RECOMMEND INCLUSION OF YUGOSLAVIA IN THE ITINERARY FOR A WINE AND JUICE PROCESSING EQUIPMENT TRADE MISSION. THERE ARE MANY MANUFACTURERS OF BOTH WINES AND JUICE IN YUGOSLAVIA, BUT THEIR CAPACITIES ARE MOSTLY SMALL AND THEIR MARKETING IS REGIONALLY ORIENTED. WITH THE EXCEPTION OF HALF A DOZEN GEOGRAPHICALLY DIVERSIFIED PRODUCERS, MOST PROCESSORS HAVE NEITHER FINANCIAL NOR MARKETING MUSCLE TO EXPAND OR MODERNIZE THEIR CAPACITIES. END SUMMARY.

1. THERE IS A TOTAL OF 105 BEVERAGE PRODUCERS IN YUGOSLAVIA. TWENTY-THREE MAKE WINE AND TWENTY-ONE MAKE FRUIT JUICES. OTHERS MAKE BEER (30), LIQUORS AND ARTIFICIAL DRINKS. FIVE LOCAL EQUIPMENT MANUFACTURERS SUPPLY CONTINUAL PASTEURIZATION LINES, GRAPE PRESSES, AND OTHER BEVERAGE PROCESSING EQUIPMENT. DOMESTIC EQUIPMENT, HOWEVER, IS OF RELATIVELY SMALL CAPACITY AND IS RATHER UNSOPHISTICATED. LARGER PROCESSORS USUALLY IMPORT THEIR EQUIPMENT FROM WEST GERMANY, FRANCE AND ITALY. FOR EXAMPLE, OUT OF DOLS 660,000 WORTH OF PRESSES AND OTHER WINE-MAKING EQUIPMENT IMPORTED IN 1976, 71 PERCENT OR DOLS 470,000 WAS FROM WEST GERMANY. LIKEWISE, OUT OF UNCLASSIFIED

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DOLS 26 MILLION OF BOTTLE CLEANING AND FILLING MACHINES IMPORTED IN 1976, 56 PERCENT OR DOLS 14.6 MILLION CAME FROM WEST GERMANY. IN THE BOTTLE CLEANING AND FILLING EQUIPMENT CATEGORY, HOWEVER, IT IS NOT POSSIBLE TO DETERMINE HOW MUCH WAS IMPORTED FOR USE IN THE BEVERAGE INDUSTRY AND HOW MUCH FOR USE IN THE CHEMICAL OR PHARMACEUTICAL INDUSTRIES.

2. MOST YUGOSLAV WINES ARE OF FAIRLY GOOD QUALITY, AND NATURAL FRUIT JUICES ARE OF EXCELLENT QUALITY, YET ONLY SMALL QUANTITIES ARE EXPORTED DUE TO RELATIVELY HIGH PRICES. THESE PRICES ARE THE RESULT OF LOW PRODUCTIVITY, BUT EVEN MORE OF HIGH TAXES IMPOSED BY THE GOVERNMENT. DOMESTIC PRODUCERS ALSO FACE COMPETITION FROM IMPORTS. BECAUSE OF THESE AND OTHER FACTORS PRODUCTION OF BOTH WINES AND JUICES HAS BEEN FALLING RECENTLY. PRODUCTION OF WINES WAS 117.1 MILLION LITERS IN 1973, 117.3 MILLION LITERS IN 1974 AND 113.5 MILLION LITERS IN 1975. CORRESPONDING PRODUCTION OF JUICES IN THESE YEARS WAS 101.8 MILLION, 67.4 MILLION AND 62.7 MILLION LITERS. OFFICIAL STATISTICS FOR 1976 AND 1977 ARE NOT YET AVAILABLE, BUT ACCORDING TO PRESS ARTICLES THE SITUATION HAS NOT IMPROVED.

3. THE POST CONCLUDES THAT BECAUSE OF THE NUMEROUS SMALL AND INEFFICIENT DOMESTIC PLANTS, DISCOURAGING GOVERNMENT TAX POLICIES, AND STRONG TRADITIONAL ORIENTATION TOWARD WEST EUROPEAN SUPPLIERS, A SUCCESSFUL PROMOTION OF U.S. WINE AND JUICE PROCESSING EQUIPMENT CANNOT BE EXPECTED IN THE FORESEEABLE FUTURE.

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